

# EXAMINER'S BANKING PRACTICES SURVEY

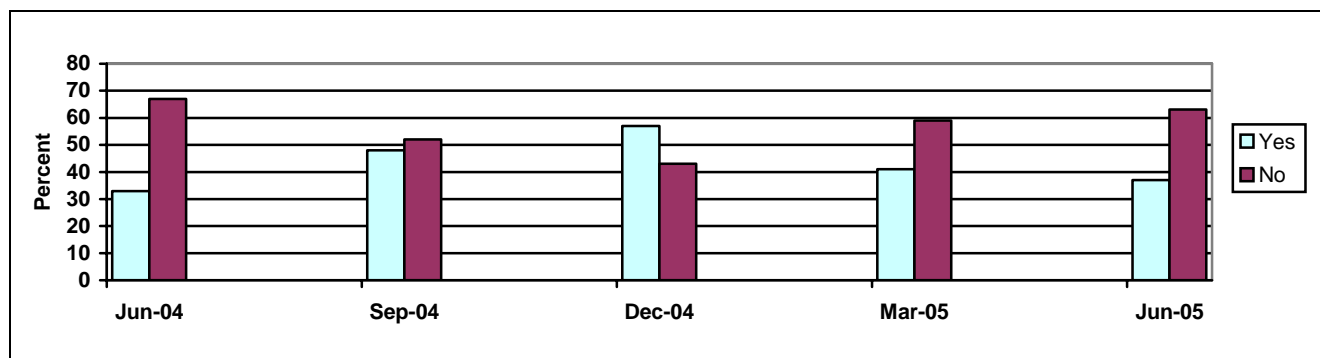
Second Quarter 2005

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Second Quarter 2005** results are compiled from **30** responses.

## LENDING

1. Since the last examination, has the institution significantly increased lending activity in any particular segment of the portfolio? "*Significantly*" means growth of 20% or more.



Of yes responses:

Loan Type	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
RE/Const/Land Devel	15%	20%	21%	31%	18%
RE/Agricultural	15%	16%	9%	13%	9%
RE/Commercial/Indust	20%	16%	26%	20%	18%
RE/Residential	10%	16%	10%	13%	12%
Agricultural	15%	16%	6%	8%	4%
Commercial/Industrial	25%	12%	19%	10%	30%
Consumer	0%	4%	9%	5%	9%

2. Is the institution active in making the following types of loans?

	Sep-04		Dec-04		Mar-05		Jun-05	
	Yes 9%	No 91%	Yes 23%	No 77%	Yes 9%	No 91%	Yes 17%	No 83%
Of Yes Responses-Loan type								
Sub-prime/Predatory lending	50%		50%		33%		17%	
Dealer paper	50%		38%		67%		33%	
Low or No-doc bus. lending	0%		0%		0%		0%	
High LTV home eq. lending	0%		12%		0%		50%	

3. Is the bank offering below market interest rates or reduced fees to attract loans?

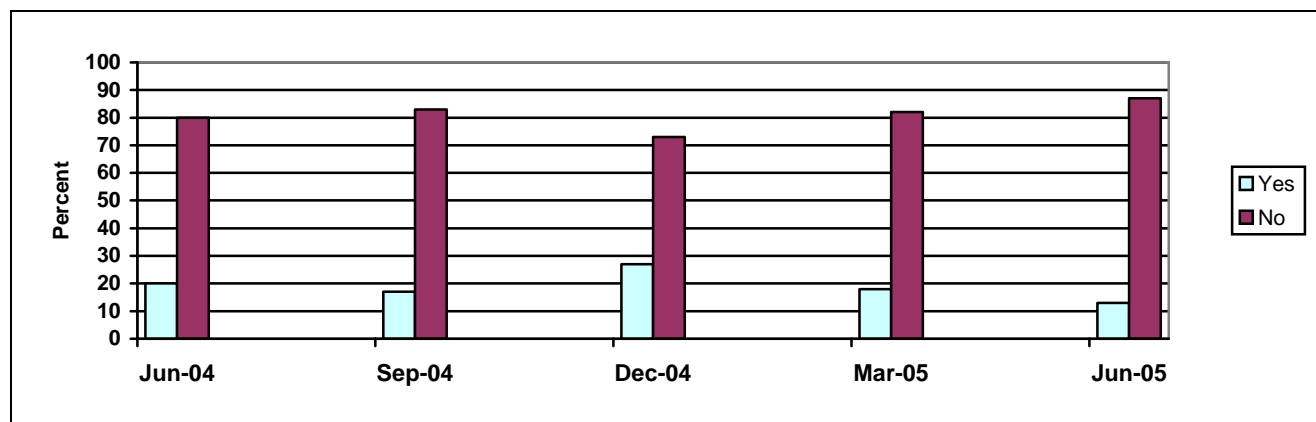
	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
Yes	3%	0%	10%	6%	7%
No	97%	100%	90%	94%	93%

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4. Does the institution use credit scoring models for loan decisions?

	Sep-04		Dec-04		Mar-05		Jun-05	
	Yes 4%	No 96%	Yes 10%	No 90%	Yes 15%	No 85%	Yes 20%	No 80%
Of Yes Responses - Loan type								
Credit card	0%		0%		7%		8%	
Consumer	0%		20%		29%		42%	
Residential mortgage	50%		40%		29%		33%	
Small business	50%		20%		21%		17%	
Other	0%		20%		14%		0%	

5. Are there indications the bank is incurring "more-than-normal" risk to boost new loans?



Of yes responses:

	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
Making collateral based loans?	36%	10%	29%	20%	43%
Reduced collateral margins?	14%	20%	24%	20%	0%
Not requiring cash flow projections?	21%	30%	29%	13%	14%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	21%	30%	18%	27%	43%
Waiving guarantees or other documentation?	7%	0%	0%	7%	0%
Other	0%	10%	0%	13%	0%

6. Describe potential risk in current underwriting practices for:

	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
<b>Agricultural Loans</b>					
Minimal	70%	92%	83%	82%	90%
Moderate	30%	4%	17%	15%	10%
Substantial	0%	4%	0%	3%	0%
<b>Commercial Loans</b>					
Minimal	73%	65%	67%	68%	70%
Moderate	23%	30%	33%	29%	30%
Substantial	3%	5%	0%	3%	0%
<b>Consumer Loans</b>					
Minimal	83%	91%	87%	82%	77%
Moderate	10%	9%	13%	15%	23%
Substantial	7%	0%	0%	3%	0%
<b>Residential Loans</b>					
Minimal	83%	87%	77%	94%	73%
Moderate	10%	9%	20%	0%	27%
Substantial	7%	4%	3%	6%	0%

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7. Differences between actual lending practices and written policies are:

	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
<b>Agricultural Loans</b>					
Minimal	83%	91%	87%	94%	97%
Moderate	13%	9%	10%	6%	3%
Substantial	3%	0%	3%	0%	0%
<b>Commercial Loans</b>					
Minimal	80%	87%	67%	74%	83%
Moderate	13%	13%	30%	26%	17%
Substantial	7%	0%	3%	0%	0%
<b>Consumer Loans</b>					
Minimal	93%	91%	90%	85%	93%
Moderate	0%	9%	7%	15%	7%
Substantial	7%	0%	3%	0%	0%
<b>Residential Loans</b>					
Minimal	90%	83%	83%	88%	97%
Moderate	3%	13%	10%	12%	3%
Substantial	7%	4%	7%	0%	0%

8. With regard to agricultural loans, describe the potential risk the bank faces from:

	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
<b>Carryover Debt</b>					
Minimal	90%	78%	90%	88%	97%
Moderate	10%	17%	10%	12%	3%
Substantial	0%	5%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	97%	78%	93%	88%	93%
Moderate	3%	17%	7%	12%	7%
Substantial	0%	5%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	79%	87%	87%	82%	90%
Moderate	21%	9%	10%	18%	10%
Substantial	0%	4%	3%	0%	0%

9. Has the ratio of Total Adversely Classified Items/Tier 1 Capital & ALLL increased (+) or decreased (-) since the prior examination?

	Sep-04		Dec-04		Mar-05		Jun-05	
No. Banks with Inc/(Dec) in ratio (%)	+	55%	-	45%	+	61%	-	39%
Average Inc/(Dec) in Ratio	10.4	(9.5)	11.6	(5.8)	8.1	(8.0)	10.5	(6.3)
<b>Cause of Increase</b>								
Eased underwriting standards	0%		11%		8%		18%	
Deterioration in new loans	0%		15%		8%		27%	
Deterioration in older loans	84%		59%		65%		41%	
Participations or out-of-territory	0%		0%		4%		0%	
Economic conditions	8%		7%		11%		5%	
Changes in lending personnel	0%		0%		4%		0%	
New types of lending activity	0%		4%		0%		0%	
Other	8%		4%		0%		9%	

10. Estimate loan classifications at this examination into the following types:

Loan Type	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
RE/Const/Land Development	5%	4%	8%	2%	7%
RE/Agriculture	7%	5%	5%	8%	3%
RE/Commercial/Industrial	22%	21%	27%	42%	36%
RE/Residential	30%	32%	30%	14%	26%
Agricultural	4%	4%	4%	4%	2%
Commercial/Industrial	24%	21%	22%	24%	22%
Consumer	9%	13%	4%	6%	4%

Ratios from March 2005 and forward are weighted by dollar volume of classified loans for all respondents. Prior ratios are an average of percentages from each bank (not dollar weighted).

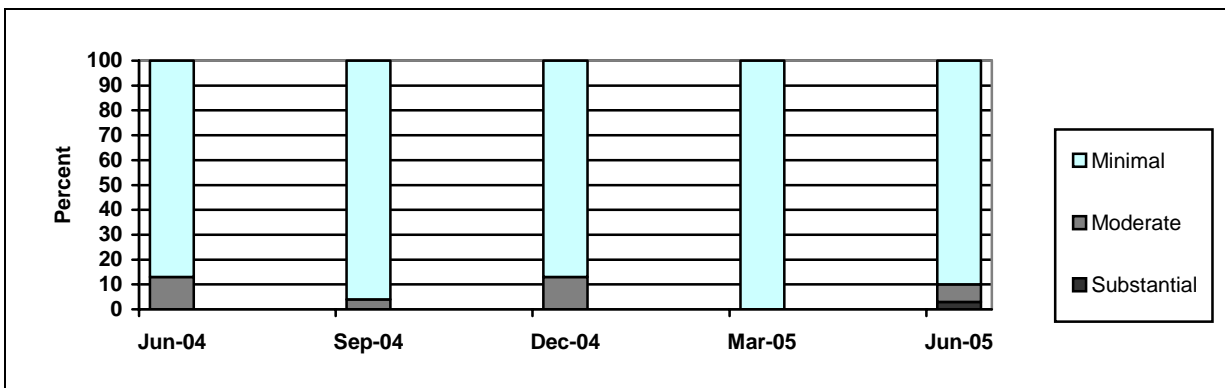
## Examiner's Banking Practices Survey

### INVESTMENTS

11. Since the last examination, has the institution purchased securities without understanding the characteristics of the issue?

	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
Yes	0%	0%	0%	0%	0%
No	100%	100%	100%	100%	100%

12. Differences between actual investment practices and written policies are:



### OTHER

13. Has the bank established a borrowing line with FHLB?

	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
Yes	73%	70%	90%	79%	87%
No	27%	30%	10%	21%	13%
If yes, does the bank actively borrow from the FHLB?					
Yes	62%	94%	89%	70%	77%
No	38%	6%	11%	30%	23%

14. Does the bank hold off-balance sheet derivatives?

	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
Yes	7%	9%	0%	0%	3%
No	93%	91%	100%	100%	97%

15. List nontraditional activity the institution is engaged in.

	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05
Yes	70%	65%	87%	71%	77%
No	30%	35%	13%	29%	23%
Of those that do:					
Nondeposit Investment Sales	26%	21%	24%	25%	26%
Insurance Sales	7%	15%	6%	14%	10%
Real Estate Loan Secondary Market Sales	21%	23%	24%	21%	26%
Non-transactional Web Site	12%	6%	14%	4%	2%
Transactional Web Site	28%	32%	32%	34%	36%
Other	5%	3%	0%	2%	0%